

**Read this information first**

You should file this schedule if

- you were either a resident or a part-year resident of Illinois during the tax year; **and**
- you paid income tax to another state on income you earned while you were an Illinois resident; **and**
- the income subject to the other state's tax is included in your Illinois base income; **and**
- you did not deduct the income tax paid to the other state when you figured your federal adjusted gross income as shown on your Form IL-1040, Individual Income Tax Return, Line 1.

You should **not** file this schedule if

- you were a **nonresident** of Illinois during the entire tax year; **or**
- you did **not** pay income tax to Illinois and another state on the same income.

For purposes of this schedule, "state" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or political subdivision of any of these (e.g., county, city, local). The term "state" does not refer to any foreign country.

**Note** → If you earned income in Iowa, Kentucky, Michigan, or Wisconsin, you may be covered by a reciprocal agreement. This agreement applies only to income from wages, salaries, tips, and other employee compensation. See Schedule CR Instructions.

**Step 1: Provide the following information**

Your name as shown on your Form IL-1040

Your Social Security number

**Step 2: Figure your credit****1 Residents:** Write your Illinois base income from Form IL-1040, Line 11.**Part-year residents:** Write only the amount from Step 5, Line 50 of Schedule NR, that you earned while an Illinois resident.**2** See instructions before completing Columns A, B, and C.**1** \_\_\_\_\_**Column A****Column B****Column C**State  
(Two letter state  
abbreviation)Name of other taxing district  
(i.e., county, city or local -  
see instructions)Illinois base income taxed by other state  
(may not exceed Line 1 - see instructions)Income tax paid to other state  
(on the income shown in Column B -  
see instructions for proration examples)

a	_____	_____
b	_____	_____
c	_____	_____
d	_____	_____
e	_____	_____
f	_____	_____
g	_____	_____
h	_____	_____

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**3** Add Column C, Lines 2a through 2h (and the amounts from Column C of any additional pages you attached). This is the total income tax paid to other states on Illinois base income.**3** \_\_\_\_\_**4** Write your double-taxed base income from Column B (and the amounts from Column B of any additional pages you attached). This amount **may not** exceed Line 1. (See instructions.)**4** \_\_\_\_\_**5** Write your Illinois tax due from Form IL-1040, Line 15, or from Schedule 4255 Worksheet, Line 4, which is found in Form IL-1040 Instructions, Step 6.**5** \_\_\_\_\_**6** Divide Line 4 by Line 1. (Carry to five decimal places.) This figure may not be greater than 1.00000.**6** \_\_\_\_\_**7** Multiply Line 5 by Line 6.**7** \_\_\_\_\_**8** Compare the amounts on Lines 3, 5, and 7. Write the lesser amount here and on Form IL-1040, Step 7, Line 19. This is your tax credit.**8** \_\_\_\_\_**→ Attach this schedule and copies of your out-of-state tax returns to your Form IL-1040. ←**

# Schedule CR Instructions

## General Information

### ? What is the purpose of Schedule CR?

Schedule CR, Credit for Tax Paid to Other States, allows you to take a credit for income taxes you paid to other states on income you received while a resident of Illinois. You are allowed this credit **only** if you filed a required tax return with that state and the same income is taxed by both Illinois and the other state during the same taxable year. In Illinois, this income is considered to be "double-taxed" income. The credit is limited to the amount of Illinois tax that you paid on the double-taxed income. You must use information from the tax return you filed with the other state to complete Schedule CR.

A **part-year resident** may only take a credit on income earned while a resident of Illinois if the same income is taxed by both Illinois and another state.

A **nonresident** may **not** take a credit on Illinois Schedule CR.

### ? What taxes qualify for the credit?

Taxes that qualify for the credit are income taxes you paid to another state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States, or to a political subdivision (e.g., county, city, local) of one of these jurisdictions. No credit is allowed for taxes paid to the federal government or to foreign countries or to their political subdivisions.

To qualify for this credit, a tax must be deductible as state and local income taxes paid on your federal Schedule A, Itemized Deductions, whether or not you actually claimed the deduction. An alternative minimum tax measured by income may qualify. The Michigan Single Business Tax is not an income tax and does not qualify for the credit.

**Note** No credit is allowed for interest or penalties imposed on you, even in connection with an income tax. You may claim the credit for income taxes paid on your behalf (e.g., by withholding or with a composite return), but only if you are the person legally liable for the tax (i.e., if you would be required to pay the tax if it had not been paid on your behalf).

### ? What forms must I attach to receive this credit?

You **must attach** a complete copy of each tax return you filed with the other state(s). However, if the other state (typically a city or county) imposes an earnings tax and does not require you to file a tax return, you must attach a copy of your Form W-2, Wage and Tax Statement, showing taxes paid.

**Note** If you are a member of a partnership or an S corporation that pays tax for you in another state, attach a copy of the letter or statement (not the federal Schedule K-1) furnished to you by them. This letter must include the partnership or S corporation name and federal employer identification number (FEIN), the income, and the tax paid on your behalf.

### ? What if I earn income in Iowa, Kentucky, Michigan, or Wisconsin?

If you earned wages, salaries, tips, or other employee compensation from an employer in Iowa, Kentucky, Michigan, or Wisconsin while you were a resident of Illinois, you are covered by a reciprocal agreement between that state and Illinois and are not taxed by that state on your compensation. However, you may be taxed on other income.

If your employer withheld taxes or you paid tax to these states on your compensation, you must claim a refund from that state. You **may not** claim a credit on Schedule CR for that tax. You must file the appropriate forms with that state to receive a refund of taxes withheld in error.

The reciprocal agreements do not prohibit subdivisions of these states from imposing a tax on your compensation. For example, if you were subject to tax by a city in Kentucky while you were an Illinois resident, you may claim a credit for that local tax.

In addition, because of differences in state laws, you may be considered a resident by one of these states and required to pay their income taxes, even though you are an Illinois resident under Illinois law. In that case, you may claim a credit for the taxes paid.

### ? Where can I find specific formulas to figure double-taxed income and tax paid to other states?

When you figure credit for tax paid to other states, you must consider that the base income and tax from the other states' returns may not be calculated in the same manner as the base income and tax on your Illinois return. For a list of formulas that identify the tax forms, line numbers, additions, and subtractions that you must use to compute the amount of double-taxed income and tax for Schedule CR, please refer to Publication 111, Illinois Schedule CR Comparison Formulas for Individuals. To obtain Publication 111, visit our web site at [tax.illinois.gov](http://tax.illinois.gov) or call our 24-hour Forms Order line at 1 800 356-6302.

## Specific Instructions

### Step 1: Provide the following information

Write your name and Social Security number as shown on your Form IL-1040, Individual Income Tax Return.

### Step 2: Figure your credit

**Line 1** – Follow the instructions on the schedule.

### Line 2 – Column A

Write the two-letter abbreviation of each state and the name of any county, city, or local taxing district in which you paid tax on income that you received while you were an Illinois resident. This income must be included in Line 1, adjusted gross income on your Form IL-1040, or in Column B of your Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax.

**Note** If you need more than eight lines, attach a separate page following the same format.

### Column B

Write the amount of income that is being taxed by both Illinois and the other state listed in Column A. When determining your double-taxed income, apply the following rules:

- ◆ An item of income is double-taxed only to the extent both Illinois and the other state include it as income.  
For example, if State A allows you to deduct 60 percent of a long-term capital gain, only 40 percent of the capital gain is double-taxed even if Illinois taxes 100 percent of the capital gain. Also, Social Security benefits can never be included in double-taxed income because Illinois does not tax this type of income.
- ◆ An expense is subtracted when figuring double-taxed income only to the extent it is deducted when figuring both Illinois base income and the taxable income of the other state.

For example, do not take a deduction for federal income tax paid or for federal itemized deductions even if the other state allows those deductions, because Illinois does not.

- ◆ Standard deductions and general exemptions are never subtracted when figuring double-taxed income.
- ◆ Wages, salaries, and other employee compensation you received that were “paid in Illinois” cannot be included in double-taxed income. In general, if your employer withheld Illinois income tax from your compensation, it was paid in Illinois. If box 15 on your W-2, Wage and Tax Statement, shows “Illinois,” you may not include that compensation in double-taxed income unless you send us a letter from your employer, on company letterhead, explaining why the W-2 is incorrect. For more information, see Booklet IL-700, Illinois Withholding Tax Guide.
- ◆ Some states determine income by first figuring income as if the person were a resident of that state and then
  - multiplying the income or the resulting tax by a fraction equal to the percentage of income from sources in that state; **or**
  - allowing a credit equal to the tax imposed on a resident times a fraction equal to the percentage of income from sources outside the state.

Double-taxed income for any of these states is calculated by first figuring double-taxed income according to the rules above, and then multiplying that income by a fraction equal to the percentage of income from sources in that state, figured in the manner prescribed by that state’s laws, except that employee compensation “paid in Illinois” cannot be treated as income sourced to that state.

- ◆ If a state imposes an alternative minimum tax, the determination of double-taxed income is made using alternative minimum taxable income of the state only if you actually pay alternative minimum tax. Otherwise, use the regular taxable income.

**Note** → See the “Examples for Column B” that follow.

## Column C

Write the tax you paid to the other state on income shown in Column B. Only taxes paid to another state on income that is also

taxed by Illinois (*i.e.*, double-taxed income) qualify for this credit and can be included in Column C. The tax paid is the tax amount minus all credits allowed, except credits for payments you actually made to the other state or payments made on your behalf. If you purchased a transferrable credit, the amount you paid for the credit is treated as a payment of tax.

For example, you must reduce the amount of tax paid to the other state by any credit allowed by that state for taxes you paid to Illinois.

However, you would not subtract a credit on your return for an overpayment from a prior year that you applied to this year’s estimated payments in the other state, for income tax withheld from your employer, or payments you received from a partnership.

If the amount shown in Column B is less than the total income on which you paid tax to the other state, you paid tax to the other state on income that is not taxed by Illinois. Therefore, you are not allowed a credit for the full amount of tax, and you must prorate the tax imposed on income taxed by Illinois.

To prorate the amount of tax imposed on income taxed by Illinois, figure the total amount of tax you paid times a fraction equal to the amount in Column B divided by the net income on which you paid tax to the other state.

**Note** → See the “Examples for Column C” that follow.

**Line 3** – Add the amounts in Column C, Lines 2a through 2h, plus the Column C amounts from any additional pages you attached when you figure this total. This is the total amount of income tax that you paid to the other states on Illinois base income.

**Line 4** – Add the amounts in Column B plus the Column B amounts from any additional pages you attached when you figure this total.

**Note** → If you paid tax to another state and to a city, county, or other political subdivision of that state on the same item of income, you can only include the state or local income when figuring the amount on this line.

For example, if the amounts shown in Column B are \$10,000 for State A and \$8,000 for City B, a city in State A, and the \$8,000 is salary, which is included in the \$10,000 taxed by State A, the amount on Line 4 is \$10,000 because the \$8,000 cannot be included twice.

**Lines 5 through 8** – Follow the instructions on the form.

## Examples for Column B

### Example 1 for Column B

You are an Illinois resident and your federal adjusted gross income (AGI) is \$80,000. You owe \$6,000 in federal income tax on this income.

Your **federal AGI** consists of

	75,000	Wages
+	1,000	Taxable interest – which equals \$800 in bank interest plus \$200 in interest on federal government obligations, and excludes \$500 in municipal bond interest
+	4,000	Rental income from State X property
=	80,000	<b>Federal AGI</b>

Your **Illinois base income** consists of

	80,000	Federal AGI
+	500	Municipal bond interest
–	200	Federal government obligation interest
=	80,300	<b>Illinois base income</b>

State X figures **income subject to its tax** by

- starting with \$4,000 in net rental income that is included in federal adjusted gross income,
- adding \$3,000 for depreciation (in excess of straight-line) that was allowed on the rental property on the federal return,
- subtracting the State X portion of the federal income tax liability, and
- subtracting an exemption of \$1,000.

Your Illinois **double-taxed income** consists of

	4,000	Net rental income
+	3,000	State X addition for excess depreciation, which is a deduction allowed by Illinois but not by State X and only the amount of depreciation deductible in both states is taken into account.
=	7,000	<b>Double-taxed income</b>

The subtractions for federal income tax and the exemption are not taken into account when figuring Illinois base income. Therefore, they are not taken into account when figuring the double-taxed income.

## Examples for Column B (continued)

### Example 2 for Column B

This example uses the same information as Example 1 for federal AGI.

State X requires you, a nonresident, to

- figure income tax as if you were a resident of State X, and
- multiply the result by a fraction equal to your federal AGI from State X sources divided by your total federal AGI.

State X **taxable income** consists of

80,000	Adjusted gross income
+ 500	Municipal bond interest
+ 3,000	Excess depreciation
- 6,000	Federal income taxes
- 200	Federal government obligation interest
- 1,000	Exemption
<b>= 76,300</b>	<b>State X taxable income</b>

Percentage of income from State X sources

$$\frac{4,000 \text{ Federal AGI from State X sources}}{80,000 \text{ Total federal AGI}} = 5\% (.05)$$

Your **Illinois double-taxed income** consists of:

80,000	Adjusted gross income
+ 500	Municipal bond interest
+ 3,000	Excess depreciation
- 0	Federal income taxes – <b>not subtracted</b>
- 200	Federal government obligation interest
- 0	Exemption – <b>not subtracted *</b>
<b>= 83,300</b>	<b>State X taxable income</b>
<b>X .05</b>	<b>Percentage of income from State X sources</b>
<b>= 4,165</b>	<b>Double-taxed income</b>

\* Standard deductions and general exemptions are never subtracted in computing double-taxed income.

### Example 3 for Column B

Use the same figures from Example 2, except that State X considers \$10,000 of your wages to be earned in State X because you actually performed services there. However, under Illinois law, all of your wages are considered to be “paid in Illinois.”

Under State X law, the percentage of income from State X sources is

$$\frac{14,000 - \text{federal AGI from State X sources}}{80,000 - \text{total federal AGI}} = 17.5\% (.175)$$

**because** you must include the \$10,000 wages received for services performed in State X plus the \$4,000 received as net rental income.

For purposes of this credit, the State X fraction must be figured without treating the \$10,000 in wages as allocable to State X because Illinois does not consider the \$10,000 as double-taxed income.

Therefore the correct percentage is 5 percent and the double-taxed income is \$4,165, the same as in Example 2.

## Examples for Column C

You are an Illinois resident and you have \$50,000 in federal AGI, which includes

- \$40,000 in wages earned in State Y, and
- \$10,000 in retirement income.

You worked in State Y for an extended period of time so you rented an apartment. State Y considers anyone who has maintained an apartment in that state for more than 182 days a resident of that state. Consequently, State Y taxed you on all \$50,000, which figured out to be \$1,000 in tax.

However, Illinois taxes you only on your wages and allows a deduction for retirement income. For Illinois purposes, your double-taxed income is \$40,000.

Since the \$10,000 in retirement income was taxed in State Y and not in Illinois, you must prorate your tax as follows:

$$\frac{40,000 \text{ Income reported in Column B}}{50,000 \text{ In State Y taxable income}} = 80\% (.80)$$

Prorate your **State Y tax** as follows:

$$\begin{array}{r} 1,000 \text{ Tax you paid to State Y} \\ \times .80 \text{ Prorated percentage} \\ \hline = 800 \text{ Tax paid to State Y on income in Column B.} \end{array}$$

### Example 2 for Column C

If you are taxed by another state on wages, but cannot include that amount in Column B because it is “paid in Illinois,” add the wages that were taxed by the other state to the amount in Column B when you figure the proration percentage.

You are an Illinois resident and had \$100,000 in salary “paid in Illinois” and \$5,000 in rental income from State Z. State Z also taxes you on \$10,000 of your wages.

State Z **taxable income** consists of

5,000	- rental income
+ 10,000	- salary
<b>= 15,000</b>	<b>- Taxable income</b>

The amount in Column B would be \$5,000, because the \$10,000 in wages is not double-taxed income.

However, because you were actually taxed on the \$10,000 in salary by both Illinois and State Z, the percentage would be

$$\frac{15,000 \text{ taxed by State Z}}{15,000 \text{ in State Z taxable income}} = 100\% (1.0)$$

You would write 100 percent of the **tax** you paid to State Z in Column C.